ORIGINAL

OPEN MEETING AGENDA ITEM

0000130943

BEFORE THE ARIZONA CORPORATION COMMISSION

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PAUL NEWMAN
BRENDA BURNS

IN THE MATTER OF THE APPLICATION OF TUCSON ELECTRIC POWER COMPANY FOR APPROVAL OF ITS 2012 RENEWABLE ENERGY STANDARD IMPLEMENTATION PLAN AND DISTRIBUTED ENERGY ADMINSITRATIVE PLAN AND REQUEST FOR RESET OF RENEWABLE ENERGY ADJUSTOR	DOCKET NO. E-01933A-11-0269 **TUCSON ELECTRIC POWER COMPANY'S EXCEPTIONS TO STAFF'S PROPOSED ORDER**

Tucson Electric Power Company ("TEP" or "Company"), through undersigned counsel, hereby files these Exceptions to the Proposed Order filed by the Utilities Division ("Staff") of the Arizona Corporation Commission ("Commission") in this docket regarding TEP's 2012 Renewable Energy Implementation Plan ("2012 REST Plan"). Although TEP agrees with or is willing to accept most of the recommendations set forth in Staff's Proposed Order, TEP does not agree with the five (5) recommendations set forth below. In connection with these Exceptions, TEP is proposing modifications to the Proposed Order that are necessary to ensure that the 2012 REST Plan is just and reasonable and in the public interest.

1. Staff recommends that TEP recover only 50% of certain carrying costs for TEP's Bright Tucson Solar Buildout Plan. This recommendation is contrary to the Commission's previous approval of TEP's full recovery of those carrying costs in Decision No. 72033 (December 10, 2010). TEP has made a significant capital investment in the Buildout Plan in reliance on that previous Commission ruling. Moreover, Staff's recommendation is inequitable because it is recommending that Arizona Public Service ("APS") be allowed 100% recovery of the same carrying costs for a very similar APS program (the AZ Sun Program).

2. Staff is recommending that TEP not use REST funds to pay for meters used to monitor production of REST funded renewable installations. TEP believes these meters are an

essential element of the REST programs. As noted by Staff, the Commission has previously approved the use of REST funds for theses meters and these meters are beneficial for renewable system monitoring.

3. Staff recommends that TEP's Up-Front Incentives ("UFIs") be set at $1.00/watt. However, based on TEP's recent experience as more fully described below, TEP believes that the UFI incentives should be further reduced to $0.50/watt. Alternatively, TEP recommends that the UFI be set at $1.00/watt for customer-owned systems and $0.50/watt for non-customer owned systems, and that the UFI budget be equally allocated between those two incentives.

4. Staff recommends that the marketing budget be reduced from $700,000 to $100,000. Based on marketing costs in its service area, $100,000 may not be sufficient to continue existing Community outreach and to effectively market the Bright Tucson Solar Program and other TEP REST initiatives. TEP is requesting that the marketing budget be set at not less than $200,000.

5. Staff is recommending that the renewable energy credits from TEP's approved Bright Roofs Program not qualify as Distributed Generation ("DG"), even though the Bright Roofs Program solar facilities are located on customer premises. This recommendation is contrary to the Commission's Renewable Energy Standard Tariff Rules ("REST Rules") and creates an impediment to a cost-effective method of developing DG resources.

For the convenience of the Commission, TEP has provided proposed amendment language to the Proposed Order that addresses these five (5) issues in the attached Exhibit A.

Finally, although TEP has identified herein its concerns about the potential impact of certain other Staff's recommendations, the Company is not requesting any amendments regarding those concerns at this time.

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I. TEP IS ENTITLED TO FULL RECOVERY OF ITS CARRYING COSTS FOR THE BRIGHT TUCSON SOLAR BUILDOUT PLAN.

In Decision No. 72033, the Commission specifically approved TEP's full recovery of certain costs for the first year of the Buildout Plan.[1] The Buildout Plan involved a four year commitment to build 28MW of solar PV facilities. The Commission specifically noted that such recovery would facilitate the development of renewable facilities and that the recovery was "appropriate and reasonable." It further noted that the recovery of such carrying costs was similar to the recovery of carrying costs for the APS AZ Sun Program. The Decision also specifically recognized that there would be no carrying costs recovered in 2011, but expressly acknowledged that TEP anticipated that there would be an estimated $3.45 million of carrying costs recovered in 2012. In reliance on that Decision, TEP undertook commitments for the construction of renewable resources.

TEP's 2012 REST Plan included $4.22 million of carrying costs for the Buildout Plan, which was comprised of the $3.45 million in recovery of carrying costs for the 2011 Buildout Plan investment and the additional recovery of costs previously approved for the 2010 investment. However, Staff has recommended allowing only 50% of those costs, even though Decision No. 72033 provided for 100% recovery of carrying costs. Staff further recommends that TEP not recover any of those carrying costs in 2013 or beyond and that TEP should seek recovery of those costs in TEP's next general rate case.

Staff's recommendations effectively overturn the Commission's previous ruling for full recovery of the Buildout Plan's carrying costs. Moreover, denying full recovery of these carrying costs undermines an important and cost effective element of the 2012 REST Plan.

Staff's recommendations fail for several reasons. First, the recommendations are at odds with the authority granted to TEP in Decision No. 72033. Effectively, Staff is attempting to alter or amend that Decision without proper process. TEP was granted full recovery of its carrying costs in that Decision and is entitled to rely on the Decision in making investment decisions.

[1] The Commission approved recovery of carrying costs, book depreciation, operations and maintenance and land leasing. These costs are referred to collectively in these Exceptions as "carrying costs."

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Second, Staff justifies the deviation from Decision No. 72033 on the basis that other types of generation do not receive such treatment. However, the Buildout Plan facilities are not the equivalent of other generation facilities. Unlike other more traditional generation facilities, these solar facilities are being built to meet a regulatory mandate that requires a specific type of generation. They are not necessary to meet increasing demand as TEP's load is not increasing. But for the REST requirements, it is unlikely TEP would be expending this amount of capital for these types of facilities. Moreover, TEP would not be constructing the same capacity of these resources if it had to wait until its next general rate case to seek recovery of these costs.

Third, in Docket No. E-01345A-11-0264, Staff is recommending that APS still be allowed full recovery of the same type of carrying costs for its AZ Sun Program. That program is very similar to TEP's Bright Tucson Buildout Plan and was noted in Decision No. 72033 as a reason to allow TEP full recovery of carrying costs. It is simply inequitable and unfair to allow APS full recovery while decreasing and then eliminating TEP's recovery of the same costs for a very similar program.

Fourth, most of the carrying costs related to the Buildout Plan commitments will occur after the test year (2011) for TEP's next general rate case. There is no guarantee that TEP will be allowed recovery of those costs in the next rate case or the one after.

The Commission should amend the Proposed Order to allow TEP full recovery of the carrying costs – as previously approved by this Commission. If the Commission does not do so, it casts a cloud over the regulatory certainty one can expect in Arizona. That uncertainty can adversely affect financing of renewable projects and the viability of renewable resource development in Arizona. It also jeopardizes the continuation of the Buildout Plan – and along with it, the jobs and resources that go into the Buildout. Moreover, it interferes with the Company's renewable resource planning and its ability to comply with its REST obligations.

Finally, although the Company can understand Staff's desire to keep the REST surcharge as low as possible, given TEP's recommendation about a reduced UFI incentive discussed below

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(and related budget savings), the full recovery of the carrying costs for the Buildout Plan will not result in a larger budget or an increased surcharge.[2]

II. THE REST METERING COSTS SHOULD BE RECOVERED THROUGH THE REST SURCHARGE.

TEP has requested $227,982 to cover the costs of meters necessary to monitor the output of renewable installations under its REST programs. These meters are important in ensuring that the subsidized facilities are actually performing, that proper incentives are being paid, and there is no dispute that the Company's annual compliance filing regarding the actual amount of renewable energy production within TEP's service territory. The Commission has approved the recovery of these costs in prior REST Plans and should do so again for the 2012 Rest Plan.

TEP request the Commission amend the Proposed Order to allow TEP to recover up to $227,982 in metering costs through the REST surcharge.

III. THE COMMERCIAL AND RESIDENTIAL UP-FRONT INCENTIVES SHOULD BE REDUCED.

The Proposed Order recommends a UFI of $1.00/watt for both commercial and residential facilities. However, in Decision No. 72640 (October 18, 2011), the Commission approved a reduction of TEP's UFI incentive (to $0.75/watt) for the remainder of TEP's 2011 REST Plan. TEP resumed the reduced UFI program on Friday, October 21st. In only three business days, the remaining $564,500 in UFI incentives had been reserved. Moreover, it should be noted that over 90% of the reservations were for solar leases.[3] The Staff Report (at page 19) specifically states that the Commission may want to consider this information in deciding what incentive level to set for the 2012 REST Plan.

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[2] This issue is very important to TEP regarding its resource planning and its ability to meet the REST requirements. If the Commission decides to effectively amend its previous order and to not allow TEP full recovery of the carrying costs, TEP hereby requests a hearing on this issue as contemplated by A.R.S. §40-252.

[3] Attached as Exhibit B is the letter that TEP submitted to the Commission regarding the reservations under the modified UFI incentives for the 2011 REST Plan.

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Based on this new and current information, as well as the significant feedback that the Company has received from the solar construction community in TEP's service area, TEP believes that the UFI levels for TEP's 2012 REST Plan should be set at $0.50/watt. TEP has prepared a spreadsheet that includes TEP's initial proposed 2012 REST Plan budget, Staff's three budget options, and two updated TEP options (attached as Exhibit C). TEP New Option 1 reflects a UFI of $0.50/watt. With this reduced incentive level, TEP believes that the UFI budget could be reduced by $3,263,516 for its 2012 Rest Plan. As seen in the spreadsheet, this results in a lower budget than Staff's recommended Option 2 *even if* the full carrying costs and metering costs (both discussed above) are added back into the 2012 REST Plan Budget (TEP New Option 1 does include these costs as well). TEP's New Option 1 is $1,682,926 less that Staff's Option 2.

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If the Commission adopts a $0.50/watt UFI, TEP would propose that it submit a report on June 1, 2012 regarding UFI reservations to date and a recommendation as to whether the UFI incentive should be adjusted.

Should the Commission decide to use a $0.75/watt UFI (the modified incentive amount recently approved by the Commission for the 2011 TEP REST), TEP has submitted a new Option 2 reflecting that incentive level. Under TEP New Option 2, the 2012 REST Budget would be similar to Staff's Option 2 even if full carrying costs and metering costs are included – a difference of $109,410 between the two. Moreover, based on recent experience and consultation with the solar construction industry in the Company's service territory, TEP believes that New Option 2 should have different incentive levels for customer-owned systems and non-customer-owned system. TEP proposes that the customer-owned UFI be set at $1.00/watt and the non-customer-owned UFI be set at $0.50. Further, TEP proposes that 50% of the UFI budget be reserved for each type of UFI – thus resulting in an average UFI of $0.75.

Again, under New Option 2, TEP would submit a report on June 1, 2012 regarding UFI reservations to date along with a recommendation as to whether the UFI incentives should be adjusted and whether the UFI budget should be reallocated.

In sum, TEP requests that the Commission amend the Proposed Order to reflect a UFI incentive that is lower than the $1.00/watt proposed by Staff.[4]

IV. THE MARKETING BUDGET SHOULD BE INCREASED.

Staff recommends that the marketing budget be reduced from $700,000 to $100,000. The marketing budget is an all-inclusive category that represents more than just traditional marketing such as television and print advertisements for the Company's renewable programs. It also includes additional services such as direct mail brochures, the Company's on-line renewable web page and solar calculators. These more traditional marketing mechanisms provide an unbiased resource for our community to learn more about various renewable opportunities that cannot – and will not – be provided by the solar industry.

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Perhaps more importantly, this budget line item includes funds which allow the Company to provide direct community education outreach programs and sponsorships such as Pima Association of Governments Solar Partnership, Southern Arizona Solar Standards Board, and youth group solar education and project sponsorships (such as Girl Scouts, TUSD Science Fair, etc). All of these funds, which are collected from the local community and returned to the local community, provide an invaluable resource for the education of our youth and our community at large.

The Company believes it must remain actively engaged within our community if it is to continue to be successful in implementing the Renewable Energy Standards within the community.

Based on marketing costs in its service area, TEP is concerned that $100,000 is insufficient to continue existing Community outreach and to effectively market its REST programs and initiatives, particularly the Bright Tucson Solar Program. The Bright Tucson Solar Program allows customers to buy a block of solar energy and lock in the energy rate for the block for 20 years. This is a program that is not marketed by third party solar installers

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[4] Attached as Exhibit D is a summary of the revised surcharge rate and customer class caps that would result from both of the Company's new options.

Therefore, TEP requests that the Commission set the marketing budget at not less than $200,000 for the 2012 REST Plan.

V. THE BRIGHT ROOFS PROGRAM SHOULD COUNT AS DISTRIBUTED GENERATION.

TEP's Bright Roofs Program involves the installation of larger solar facilities on rooftops of TEP's larger customers. Under this Program, these systems (250 kW and greater) will: (1) be located at a TEP customer's premise; (2) be providing wholesale capacity and energy to the utility; (3) be used to serve all of our customers inside TEP's contiguous distribution substation service area; and (4) displace conventional energy resources. This Program will provides distributed generation that is more cost-effective than small residential systems and will allow TEP to meet its DG requirements with less cost to its customers through the REST surcharge. TEP believes this Program should qualify as DG under the REST Rules.

In the Proposed Order, Staff recommends that these installations not be considered DG because they are not "non-utility" applications. However, under the REST Rules, "Distribution Generation" means electric generation sited at a customer premises, providing electric energy to the customer load on that site, or providing wholesale capacity and energy to the local Utility Distribution Company for use by multiple customers in contiguous distribution substation service areas. A.A.C. R14-2-1801.E. Moreover, "Distributed Renewable Energy Resources" are applications of defined technologies (including "Solar Electricity Resources") that are located at a customer's premises and that displace conventional energy resources. A.A.C. R14-2-1802.B

Under the REST Rules, these systems are both "Distributed Generation" and "Distributed Renewable Energy Resources". Further, there is no requirement that the eligible facility be owned by the customer; only that the facility is located at a customer's premises. Moreover, regardless of ownership, the customer-sited facility will meet the purpose of improving system reliability – as stated in the REST Rules at A.A.C. R14-2-1805. The reliability benefits include transmission and distribution loss-savings, deferring infrastructure buildout, and peak shaving. These benefits can be achieved regardless of who owns the facility or whether the facility is connected to the

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customer or the utility's side of the meter. Therefore, counting these systems toward meeting the Distributed Renewable Energy Requirement under the REST Rules does not conflict with the purpose and intent of that requirement.

While the REST Rules intended that the Distributed Renewable Energy Requirement not be met exclusively through the use of utility-scale applications within the distribution system (limited to 10% of the distributed generation requirement), there is no specific restriction on the utility ownership of customer-sited renewable generation. There is also no restriction within the REST Rules that prevents the utility from owning residential systems; although at present, TEP does not view residential system ownership as a viable business option for the Company.

TEP requests the Commission to amend the Proposed Order to find that this cost-effective approach to DG does qualify as DG for purposes of compliance with the REST rules.

VI. OTHER CONCERNS.

The Proposed Order makes other recommendations that may impact the effective implementation of the 2012 REST Plan. The budgets for labor and for IT are somewhat reduced in the Proposed Order. However, as years go by and there are more participants in the various REST Plan programs, there may be additional demands for monitoring, communicating and other administrative activities related to the REST Plan. Reduced support may result in longer lead times and other timing issues regarding REST Plan implementation and operation. However, TEP will operate as efficiently and as effectively as possible under the approved budgets, but it is concerned about the demands of ever growing programs.

VII. CONCLUSION.

The Company requests that the Commission amend the Proposed Order regarding its 2012 REST Plan as set forth above. The Company has provided proposed language for such amendments at Exhibit A hereto.

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RESPECTFULLY SUBMITTED this 3rd day of November 2011.

TUCSON ELECTRIC POWER COMPANY

By [signature]
Michael W. Patten
Roshka DeWulf & Patten, PLC
One Arizona Center
400 East Van Buren Street, Suite 800
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and

Bradley S. Carroll, Esq.
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Original and 13 copies of the foregoing filed this 3rd day of November 2011 with:

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EXHIBIT

"A"

Proposed Amendment Language

INSERT at Page 35, Line 3:

"109. On November 2, 2011, TEP filed Exceptions to Staff's proposed order and certain Staff recommendations therein. TEP's Exceptions requested that the Commission amend the Staff recommendations regarding: 1. The recovery of certain costs for the TEP Bright Tucson Buildout Plan through the REST surcharge; 2. The recovery of certain metering costs through the REST surcharge; 3. The level of UFIs for residential and commercial PV projects; 4. The level of marketing costs to be recovered through the REST surcharge; and 5. The proposed treatment of TEP's Bright Roofs Program with respect to compliance with the Commission's REST Rules. As part of its Exceptions, TEP also submitted a revised budget that reflected its requested amendments as well as revised REST surcharges and monthly billing caps.

110. We believe TEP's Exceptions are well taken and the ordering paragraphs below reflect TEP's requested amendments. Moreover, we are adopting the revised 2012 REST Implementation Plan budget, surcharge and related surcharge caps under the TEP New Option 1 submitted with the Exceptions, which is set forth in Exhibit 1 to this Order."

DELETE Page 35, Lines12 – 19 and **INSERT**:

"IT IS THEREFORE ORDERED that the Tucson Electric Power Company 2012 REST Implementation, reflecting the budget and REST charge, including related caps, as set forth in Exhibit 1 to this Order be and is hereby approved.

IT IS FURTHER ORDERED that the commercial and residential PV Up-Front Incentive be set at $0.50/watt on January 1, 2012."

DELETE Page 35, Line 23 to Page 36, Line 5 and **INSERT**:

"IT IS FURTHER ORDERED that Tucson Electric Power Company submit a status report on June 1, 2012 regarding it Up-Front Incentive budget, including recommendations as to whether the Up-Front Incentive should be modified for the remainder of 2012."

At Page 36, Line 12, **DELETE** "$2,114,459" and **INSERT** "$4,227,927."

DELETE Page 36, Lines 14 – 16.

At Page 36, Line 24, after "ORDERED", **INSERT**:

"that a marketing budget of $200,000 for the 2012 REST Implementation Plan is approved and requiring"

At Page 36, Line 28, **INSERT**:

"IT IS FURTHER ORDERED that Tucson Electric Power Company is allowed to recover $227,982 in metering costs through the 2012 REST surcharge."

At Page 37, Line 3, **DELETE** "not".

DELETE Page 37, Lines 11-12.

Make All Conforming Changes

EXHIBIT

"B"

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2011 OCT 28 P 3: 42
One South Church Ave., P. O. Box 711
Tucson, Arizona 85702

AZ CORP COMMISSION
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October 28, 2011

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Docket Control
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1200 West Washington Street
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Re: **2011 REST Implementation Plan: Update on 2011 Up-Front Incentive Budget; Docket No. E-01933A-10-0266.**

To Whom It May Concern:

Tucson Electric Power Company ("TEP") is submitting this letter to update the Arizona Corporation Commission ("Commission") on the status of its modified Up-Front Incentive ("UFI") and related budget that was approved by the Commission on October 18, 2011, in Decision No. 72640 ("Decision"). In that Decision, the Commission added $564,500 to the Distributed Generation ("DG") commercial and residential UFI budget and decreased the DG UFI incentive to $0.75/watt.

On Friday, October 21, 2011, TEP reopened the UFI program and began accepting applications. As of Tuesday afternoon, October 25, 2011, TEP had received enough applications to effectively reserve all of the $564,500 that was approved by the Commission in the Decision. At such time, as per the Decision, TEP began accepting DG UFI applications that will be placed on a waiting list for 2012 funds at the yet-to-be-determined rate for 2012. Additionally, TEP sent notice to solar installers, as well as notified Commission Staff.

The breakdown of the reservations that were received over the two and one-half days that the UFI Program was reopened is as follows:

Reservation Tracking as of 10/25/2011	
Number of Application	
Residential PV:	67
Commercial PV:	0
Residential Solar H20:	31
Commercial Solar H20:	2
Total:	**100**
Number of Leases	
Residential PV:	60
Commercial PV:	0
Total:	**60**
Total Dollar Amount Reserved	
Residential PV:	$ 377,613
Commercial PV:	$ 0.00
Residential Solar H20:	$ 45,711
Commercial Solar H20:	$ 80,846.00
Total:	**$504,170.00**

It should be noted that of the 7 residential reservations that were not leases, only 2 were customer purchased systems. The remaining 5 reservations were for homebuilders.

Please do not hesitate to contact me if you have questions.

Sincerely,

Carmine Tilghman
Director, Renewable Energy Resources

CT:mi
cc: Steve Olea, Director, Utilities Division
Janice Alward, Chief Counsel, Legal Division
Robert Gray, Utilities Division

EXHIBIT

"C"

Exhibit C

TEP Renewable Energy Standard Tariff
Cost Recovery Factors Definition for 2012

	2012	2011	Staff Option 1 2012	Staff Option 2 2012	Staff Option 3 2012	TEP Exceptions Option 1 2012	TEP Exceptions Option 2 2012	
Total REST Budget & Tariff Collection 2012:	$ 39,108,326	$ 35,883,389	$ 35,524,526	$ 28,856,353	$ 27,522,303	$ 27,173,427	$ 28,965,763	
Utility Scale Energy								
Above Market Cost of Conventional Generation calculated annually on hourly data per MCCCG Matrix[1]	$ 12,377,000	$ 3,268,184	$ 12,377,000	$ 12,377,000	$ 12,377,000	$ 12,377,000	$ 12,377,000	
DMAFB SunEdison[2]	$ 1,045,500	$ 1,275,000	$ 1,045,500	$ 1,045,500	$ 1,045,500	$ 1,045,500	$ 1,045,500	
TEP owned[3]	$ 4,228,918	$ 1,758,759	$ 2,114,459	$ 2,114,459	$ 2,114,459	$ 4,228,918	$ 4,228,918	
Total	$ 17,651,418	$ 6,301,943	$ 15,536,959	$ 15,536,959	$ 15,536,959	$ 17,651,418	$ 17,651,418	
Customer Sited Distributed Renewable Energy:						$0.50 / watt avg.	$0.75 / watt avg.	
Up-front Incentive (UFI) (residential)[4]	$ 14,358,111	$ 14,358,111	$ 14,358,111	$ 7,689,938	$ 7,689,938	$ 4,426,422	$ 6,058,180	based on 85% for 6.5 MW of PV capcity and 15% for 775 SHW systems @ 2,600 kWh savings
Up-front Incentive (UFI) (commercial)[5]	$ 1,114,510	$ 3,769,230	$ 1,114,510	$ 1,114,510	$ -	$ 472,199	$ 632,777	based on 80% for 642 kW of PV capcity and 20% for 14 SHW systems @ 20,000 kW savings
Annual Performance-based Incentive (PBI)[6]	$ 5,972,915	$ 5,753,375	$ 5,972,915	$ 5,972,915	$ 5,753,375	$ 5,753,375	$ 5,753,375	
Annual meter reading cost[7]	$ 19,531	$ 15,625	$ 19,531	$ 19,531	$ 19,531	$ 19,531	$ 19,531	
Marketing[8]	$ 700,000	$ 750,000	$ 100,000	$ 100,000	$ 100,000	$ 200,000	$ 200,000	
Total	$ 22,165,067	$ 24,646,341	$ 21,565,067	$ 14,896,894	$ 13,562,844	$ 10,871,527	$ 12,663,863	
Technical Training:								
Schools Vocational Training Program[9]	$ 650,000	$ 650,000	$ 350,000	$ 350,000	$ 350,000	$ 350,000	$ 350,000	
TEP internal and contractor training costs[10]	$ 100,000	$ 236,000	$ 75,000	$ 75,000	$ 75,000	$ 75,000	$ 75,000	
Total	$ 750,000	$ 886,000	$ 425,000	$ 425,000	$ 425,000	$ 425,000	$ 425,000	
Information Systems Integration Costs[11]	$ 500,000	$ 425,000	$ 500,000	$ 500,000	$ 500,000	$ 500,000	$ 500,000	
Metering:								
Direct material cost for DG production meters, labels, disconne	$ 227,982	$ 486,685	$ -	$ -	$ -	$ 227,982	$ 227,982	
Total	$ 227,982	$ 486,685	$ -	$ -	$ -	$ 227,982	$ 227,982	
Program Labor and Administration								
Internal Labor[13]	$ 1,185,090	$ 1,143,950	$ 1,645,000	$ 1,645,000	$ 1,645,000	$ 1,645,000	$ 1,645,000	
External Labor[14]	$ 468,769	$ 426,050						
Materials and Supplies[15]	$ 75,000	$ 75,000						
AZ Solar website[16]	$ 4,000	$ 150,000	$ 4,000	$ 4,000	$ 4,000	$ 4,000	$ 4,000	
Total	$ 1,732,859	$ 1,795,000	$ 1,649,000	$ 1,649,000	$ 1,649,000	$ 1,649,000	$ 1,649,000	

Renewable Energy Research and Development:							
Technology development projects – solar test yard costs[17]	$ 350,000	$ 300,000	$ 275,000	$ 275,000	$ 275,000	$ 275,000	$ 275,000
AZRISE[18]	$ 250,000	$ 250,000	$ 250,000	$ 250,000	$ 250,000	$ 250,000	$ 250,000
EPRI research, & Transmission Integration Study[19]	$ 341,000	$ 500,000	$ 191,000	$ 191,000	$ 191,000	$ 191,000	$ 191,000
Dues and Fees[20]	$ 15,000	$ 15,000	$ 7,500	$ 7,500	$ 7,500	$ 7,500	$ 7,500
Total	$ **956,000**	$ **1,065,000**	$ **723,500**	$ **723,500**	$ **723,500**	$ **723,500**	$ **723,500**
Total Other	$ -	$ 277,420	$ -	$ -	$ -	$ -	$ -
2012 Program Cost (Total Budget)	$ **43,983,326**		$ **40,399,526**	$ **33,731,353**	$ **32,397,303**	$ **32,048,427**	$ **33,840,763**
Carryover of REST Funds from 2010[21]	$ **4,875,000**		$ **4,875,000**	$ **4,875,000**	$ **4,875,000**	$ **4,875,000**	$ **4,875,000**
Grand Total (to be collected in 2012 tariff)	$ **39,108,326**	$ 35,883,389	$ **35,524,526**	$ **28,856,353**	$ **27,522,303**	$ 27,173,427	$ 28,965,763

EXHIBIT

"D"

TUCSON ELECTRIC POWER COMPANY
2011 - 2012 REST IMPLEMENTATION PLANS
NEW RUN

Rate Class	TEP Exceptions Option 1	TEP Exceptions Option 2
Residential	$9,799,732	$11,553,265
Small Commercial	$9,431,310	$9,431,310
Large Commercial	$4,758,480	$4,758,480
Industrial & Mining	$2,311,306	$2,311,306
Public Authority	$626,586	$626,586
Lighting (PSHL)	$233,570	$233,570
Total	$27,160,985	$28,914,519
Target	$27,173,427	$28,965,763
Difference	$12,442	$51,245

Rates	Current Rates	Proposed Rates	Rates
Residential	$4.50	$2.50	$3.05
Small Commercial	$160.00	$120.00	$120.00
Large Commercial	$1,000.00	$800.00	$800.00
Industrial & Mining	$5,500.00	$5,500.00	$5,500.00
Public Authority	$180.00	$135.00	$135.00
Lighting (PSHL)	$160.00	$125.00	$125.00
Per kWh to all Classes	$0.007121	$0.006875	$0.006875